

Research Markets Today

1 July 2024

Events Round-Up

JN: Tokyo CPI (y/y%), Jun: 2.3 vs. 2.3 exp.
 JN: Tokyo CPI x fr.fd, energy (y/y%), Jun: 1.8 vs. 1.7 exp.
 GE: Unemployment rate (%), Jun: 6.0 vs. 5.9 exp.
 CA: GDP (m/m%), Apr: 0.3 vs. 0.3 exp.
 US: Personal income (m/m%), May: 0.5 vs. 0.4 exp.
 US: Real personal spending (m/m%), May: 0.2 vs. 0.3 exp.
 US: PCE core deflator (m/m%), May: 0.1 vs. 0.1 exp.
 US: PCE core deflator (y/y%), May: 2.6 vs. 2.6 exp.
 US: Chicago PMI, Jun: 47.4 vs. 40 exp.
 US: U. of Mich. consumer sent., Jun: 68.2 vs. 66 exp.
 US: U. of Mich. 5-10y inflation exp., Jun: 3.0 vs. 3.1 exp.

Good Morning

Global equity markets ended the last trading session for the quarter marginally lower. An initial rally for the S&P, which gained close to 1% and reached an intra-day record high, faded and the index closed 0.4% lower. European stocks also declined modestly with investor sentiment impacted by ahead of France's legislative elections. US treasury yields ended higher, after a temporary dip following benign inflation data.

The spread between French and German 10-year bonds widened to 84bps, which is the highest level since 2012, before retracing ahead of the first round of voting in France's elections. Initial projections this morning show Marine Le Pen's National Rally gaining the most vote amid high turnout which is in line with prior expectations. The focus will turn to whether the party can get an absolute majority in the second round of voting next weekend.

The US Federal Reserve's (Fed) preferred gauge of inflation decelerated in May. The core PCE deflator rose 0.1% from the prior month, which is the smallest increase since November 2020, and matched consensus estimates. This took the annual core rate to 2.6%. The rate of increase in a broad range of components slowed in May. Notably, core services ex-housing, a closely watched measure by the Fed, rose only 0.17%, well below the 0.45% Q1 average. Several months of sub 0.2% core readings, will increase confidence amongst US policymakers that inflation is moving sustainably lower, and increase the likelihood of 2024 rate cuts.

US real consumption rose by 0.3% in May which was in line with the median estimate. Separately, a University of Michigan report showed consumer sentiment moved higher while inflation expectations moderated. Consumers' medium-term inflation expectations fell to 3.0% but remain near the top end of the post-pandemic range. This likely reflects the stronger run of inflation reports from January to April as inflation expectations are closely related to actual inflation.

Market pricing for Fed monetary policy has been stable over the past week with around 45bps of rate cuts priced by December. US treasury yields fell immediately after the PCE data. 2-year yields dropped 6bps, to an intra-day low of 4.66%, before rebounding sharply to end the session at 4.75%. The yield curve bear steepened with 10-year yields up 11bps to 4.39%. The 2y/10y UST curve has steepened sharply from -50bps to -35bps in the past few sessions.

European regional inflation data was in line with consensus forecasts. Headline CPI dipped to a 2.5% annual rate in France and fell to 3.5% in Spain. German data is released this evening ahead of the preliminary release for Europe tomorrow where headline inflation is expected to fall to 2.8% from 2.9% in May.

The US dollar was marginally weaker against G10 currencies with month and quarter end flows impacting price action. Australasian currencies were amongst the top performers gaining more than 0.5% against the US dollar in the offshore session. Despite the modest decline into quarter end, the dollar index remains just below the 2024 highs reached in April after making steady gains in June. USD/JPY traded to fresh cycle highs above 161 intra-day.

NZD/USD traded down towards 0.6060 on Friday before recovering in line with the broader weakness in the US dollar. The NZD closed the week close to 0.6100, marginally above the levels that prevailed on Thursday afternoon. CFTC data revealed that speculative long positions in NZD currency futures have reached the largest level since 2018. The NZD gained on most major cross rates. NZD/JPY traded above 98. However, NZD/AUD remained soft and closed at 5-week lows near 0.9130.

NZ fixed interest markets were closed for a public holiday on Friday. Australian 10-year government bond futures are at similar levels to the local close on Thursday, suggesting limited directional bias for NZ yields on the open.

It is a busier week on the international economic calendar in the week ahead. Global PMIs are released alongside US labour market data. There will also be plenty of comments from policymakers alongside the ECB’s annual central banking forum in Sintra. Among the highlights, ECB president Lagarde gives opening remarks Monday and appears on a panel alongside Fed Chair Powell on Tuesday. Filled jobs is the only domestic data of note today and US ISM is released later this evening.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Filled Jobs SA (m/m%)	May		0.1	10:45
JN	Tankan Large Mfg Index	2Q	11	11	11:50
CH	Caixin China PMI Mfg	Jun	51.5	51.7	13:45
GE	CPI EU Harmonized (y/y%)	Jun P		2.8	00:00
US	ISM Manufacturing	Jun	49	48.7	02:00
EC	ECB's Lagarde Speaks in Sintra				07:00

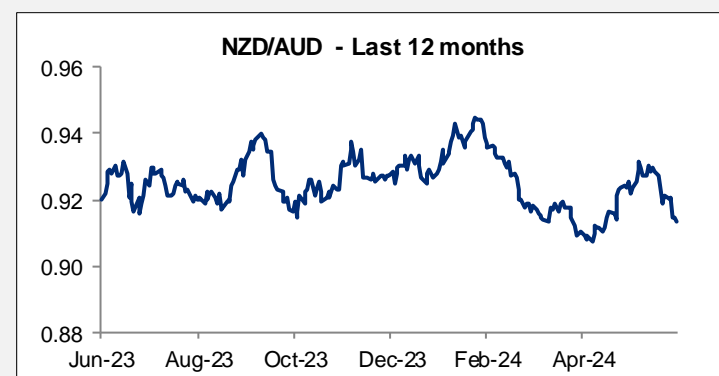
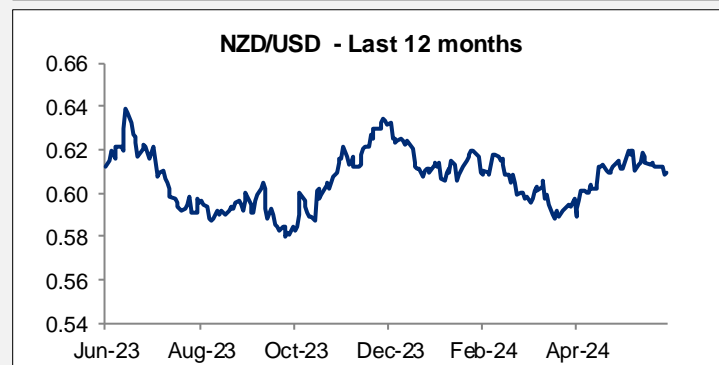
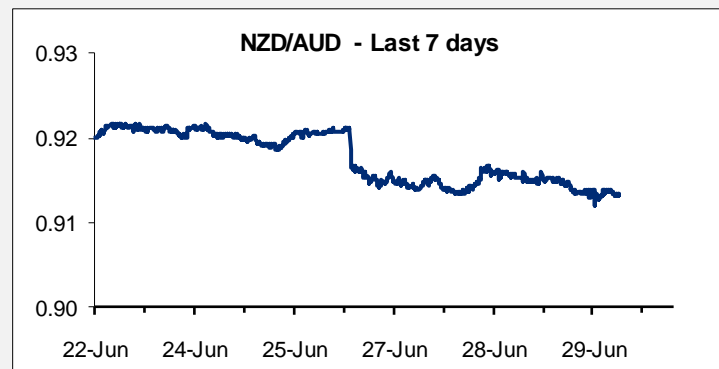
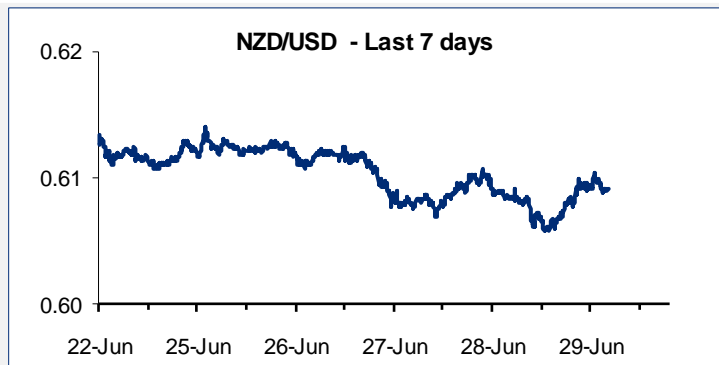
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year			Last	Net Day			
NZD	0.6092	+0.1	0.6060	0.6105	CHF	0.8988	+0.0	S&P 500	5,460	-0.4	24.8	Oil (Brent)	85.00	+0.0	
AUD	0.6670	+0.3	0.6627	0.6685	SEK	10.597	-0.2	Dow	39,119	-0.1	15.6	Oil (WTI)	81.54	-0.3	
EUR	1.0714	+0.1	1.0692	1.0725	NOK	10.679	+0.3	Nasdaq	17,733	-0.7	30.5	Gold	2339.6	+0.0	
GBP	1.2645	+0.0	1.2620	1.2663	HKD	7.808	-0.0	Stoxx 50	4,894	-0.2	12.6	HRC steel	674.0	+0.6	
JPY	160.89	+0.1	160.26	161.06	CNY	7.267	-0.0	FTSE	8,164	-0.2	8.8	CRB	290.5	-0.3	
CAD	1.3679	-0.2			SGD	1.356	-0.2	DAX	18,235	+0.1	14.3	Wheat Chic.	573.5	-0.7	
NZD/AUD	0.9133	-0.2			IDR	16,375	-0.2	CAC 40	7,479	-0.7	2.6	Sugar	20.30	+0.9	
NZD/EUR	0.5686	+0.1			THB	36.76	-0.2	Nikkei	39,583	+0.6	19.3	Cotton	69.81	+0.0	
NZD/GBP	0.4818	+0.1			KRW	1,376	-0.7	Shanghai	2,967	+0.7	-7.3	Coffee	226.8	+0.2	
NZD/JPY	98.00	+0.3			TWD	32.44	-0.3	ASX 200	7,767	+0.1	7.8	WM powder	3145	-0.2	
NZD/CAD	0.8332	+0.0			PHP	58.60	-0.2	NZX 50	11,717	-1.0	-0.1	Australian Futures			
NZ TWI	72.08	+0.0						VIX Index	12.44	+1.6	-7.4	3 year bond	95.95	0.09	
Interest Rates															
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	5.50	5.59	4.61	3.98	USD	4.40	0.11	15-May-26	4.88	0.00	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.45	4.36	4.55	AUD	4.31	-0.10	15-Apr-27	4.67	0.00	BKBM 3-mth	5.63	0.00		
NZD	5.50	5.63	4.96	4.50	NZD	4.67	0.00	15-May-28	4.56	0.00	1 year	5.40	0.00		
EUR	3.75	3.70	3.21	2.84	GER	2.50	0.05	20-Apr-29	4.52	0.00	2 year	4.96	0.00		
GBP	5.25	5.30	4.52	3.88	GBP	4.17	0.04	15-May-30	4.53	0.00	3 year	4.68	0.00		
JPY	0.08	-0.03	0.43	1.06	JPY	1.06	-0.02	15-May-31	4.56	0.00	5 year	4.46	0.00		
CAD	4.75	4.97	4.27	3.76	CAD	3.50	0.03	15-May-32	4.61	0.00	7 year	4.44	0.00		
							NZ Inflation-Indexed Bonds			14-Apr-33	4.64	0.00	10 year	4.50	0.00
							Sep-30	2.31	0.00	15-May-34	4.67	0.00	15 year	4.63	0.00
							Sep-35	2.62	0.00	15-May-35	4.72	0.00			
							Sep-40	2.81	0.00	15-May-37	4.83	0.00			
										15-May-41	4.95	0.00			
										15-May-51	4.97	0.00			
										15-May-54	4.99	0.00			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates at NY close
Source: Bloomberg

NZD exchange rates

29/06/2024	NY close	Prev. NY close
USD	0.6092	0.6082
GBP	0.4818	0.4812
AUD	0.9133	0.9150
EUR	0.5686	0.5682
JPY	98.00	97.77
CAD	0.8332	0.8333
CHF	0.5475	0.5466
DKK	4.2405	4.2381
FJD	1.3650	1.3735
HKD	4.7568	4.7494
INR	50.80	50.76
NOK	6.5056	6.4748
PKR	169.54	169.26
PHP	35.71	35.73
PGK	2.3431	2.3392
SEK	6.4559	6.4588
SGD	0.8261	0.8262
CNY	4.4272	4.4209
THB	22.36	22.42
TOP	1.4063	1.4040
VUV	73.34	73.18
WST	1.6540	1.6542
XPF	67.83	67.39
ZAR	11.0834	11.2350



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.09	0.15
3 Months	-0.68	0.30
6 Months	-1.97	-0.97
9 Months	-6.57	-0.16
1 Year	-8.68	-5.68

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.91	-7.38
3 Months	-22.36	-20.47
6 Months	-39.58	-36.68
9 Months	-53.95	-42.32
1 Year	-60.99	-52.25

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